

\$245,000. Two cost of money rates were in effect during the 10-month period; their time-weighted average was determined to be 8.6 percent. Application of the 8.6 percent rate for ten-twelfths of a year to the representative balance of \$245,000 resulted in the determination that \$17,558 should be added to the construction-in-progress account in recognition of the cost of money related to this project in its first cost accounting period. The project was completed with the addition of \$750,000 of additional costs during the first 3 months of the subsequent cost accounting period. The contractor considered the 3 month-end balances (which included the \$17,558 capitalized cost of money described in the preceding paragraph) and determined that the representative balance was \$1,234,000. The cost of money rate in effect during this 3-month period was 7.75 percent. Applying the rate of 7.75 percent for one-fourth of a year to the balance of \$1,234,000 resulted in a determination that \$23,909 should be added to the construction-in-progress account in recognition of the cost of money while under construction in the second cost accounting period. The capitalized project was put into service at the recognized cost of acquisition of \$1,541,467 which consists of the "regular" costs of \$1,500,000 plus \$17,558 and \$23,909 cost of money. This practice is in accordance with 9904.417-50(a) and other applicable provisions of the Standard.

NOTE: An alternative technique would be to make separate calculations, using an appropriate investment amount and cost of money rate, for each month. The sum of the monthly cost of money amounts could be entered in the construction-in-progress account once each cost accounting period.

(b) A contractor built a major addition with identical basic data to those described in 9904.417-60(a) except that the costs were incurred at a fairly uniform rate throughout the period. Because of the pattern of cost incurrence, the contractor used beginning and ending balances of the cost accounting period to find the representative amounts. For the first cost accounting period the representative investment amount was the average of the beginning and ending balances (zero and \$750,000), or \$375,000. Application of the

average interest rate of 8.6 percent for ten-twelfths of a year resulted in the determination that \$26,875 should be added to the construction-in-progress account in recognition of the cost of money related to this project in its first cost accounting period. During the subsequent 3 months the contractor used the representative balance of \$1,151,875, derived by averaging the beginning balance of \$776,875 (\$750,000 "regular" cost plus the \$26,875 imputed cost from the prior period) and the balance at the end, \$1,526,875. Applying the 7.75 percent cost of money rate to this balance for a 3-month period resulted in a determination that \$22,317 should be added to the construction-in-progress account in recognition of the cost of money while under construction in the second cost accounting period. The capitalized project was put into service at the recognized cost of acquisition of \$1,549,192 which consists of the "regular" costs of \$1,500,000 plus \$26,875 and \$22,317 imputed cost of money. This practice is in accordance with 9904.417-50(a) and other applicable provisions of the Standard.

NOTE: If this contractor, acting in accordance with established Standards for financial accounting, allocated a portion of its paid interest expense to this construction project and the resultant acquisition cost for financial reporting purposes was not materially different from \$1,549,192, the contractor could, in accordance with 9904.417-50(a)(iii), use the same acquisition cost for contract costing purposes.

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9904.417-61 Interpretation. [Reserved]

9904.417-62 Exemption.

None for this Standard.

9904.417-63 Effective date.

This Standard is effective as of April 17, 1992. Contractors with prior CAS-covered contracts with full coverage shall continue this Standard's applicability upon receipt of a contract to which this Standard is applicable. For contractors with no previous contracts subject to this Standard, this Standard shall be applied beginning with the contractor's next full fiscal year beginning after the receipt of a contract to which this Standard is applicable.